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**Comparative Labour Relations:  
Transition and Transformation in Eastern Europe**

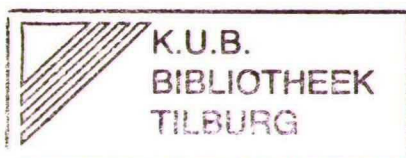
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# **Comparative Labour Relations: Transition and Transformation in Eastern Europe**

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*Keywords: labour relations, economic restructuring, Eastern Europe*

## **Introduction**

This paper provides a comparative framework for the discussion of transitions in labour relations in a number of selected countries in the former eastern Europe; Bulgaria, the Czech and Slovak Republics, Hungary, Poland and the Siberian region of Russia. Under previous political regimes, the common features of state ownership of enterprises, party political control and central planning shaped the labour relations models of these countries. With the transition to market economies and political pluralism, there are a number of contingent changes in labour relations which are occurring at the national and enterprise levels. On the basis of comparisons between the selected countries we discuss some of these changes. We begin with an overview of the theoretical and comparative issues in the contemporary study of labour relations in eastern Europe. The discussion then proceeds to a consideration of the key constituent themes of labour relations changes: first, the development of enterprise strategy associated with privatisation and with the restructuring of enterprises including the development of new mechanisms of organisational and management control. Second, the changing role of trade unionism, both at national and enterprise levels. This leads us to consider the broader economic and political context of trade unionism and the extent to which various forms of tripartism are emerging in each of the countries. The discussion then focuses upon developments at the level of the enterprise and reviews trends in collective bargaining and worker participation. The discussion concludes by identifying some common trends in each of the five countries. It also emphasises sources of diversity and argues that in the transition to various forms of market economy labour relations models in each of the countries will continue to be characterised by contrasting features linked to the prevailing political conditions and the fortunes of the economy.



## Transition or Transformation?

The contemporary literature on eastern europe is concerned with the nature of the "transition" which these societies are facing. The enormity of the task, that of attempting to create democratic political institutions whilst dramatically transforming the property basis of the economy, is without precedent in recent world history. It is hardly surprising that, in this test bed situation for theorists of political democracy and societal transformation, changes in labour relations have been somewhat neglected. Most contemporary discussions of eastern europe are focused around either political changes or macro-economic developments; labour relations have received considerably less attention both from commentators on, and actors engaged in, the change process. The development of new patterns of labour relations are highly dependent upon the prevailing economic conditions which in turn are conditioned by political processes. This derived or contingent nature of labour relations changes has led some to argue that it is too early to try and study labour relations at the enterprise level as new patterns are yet to be institutionalised. However, we seek to argue that developments in labour relations are constituent elements in the jigsaw of transformation processes for the following reasons. In the past the enterprise was the institutional articulation of political control, attempts to transform the polity face an underdeveloped civil society in which, traditionally, conflicts of interest were focused around the workplace, rather than the community, political parties or interest groups. Equally attempts to transform the property structure and the relations of production are constrained by the habits of management and workers at enterprise level developed over the long period of the command economy. The strength and persistence of these enterprise based patterns and habits varies from country to country according to recent past policies of economic reform and the specific processes of regime collapse in each case. Nevertheless, in all cases labour relations at enterprise level remain of critical significance in the success or failure of different change strategies. The need to restructure the labour process and to introduce capitalist patterns of labour control are the necessary corollary of the attempt to transform the economy into a largely privately owned market system. The difficulty of doing this in practice is what makes labour relations a key issues for regime change.<sup>1</sup> (Filtzer, 1991; Burawoy and Krotov, 1992).

The concept of transition has been challenged as value-laden and deterministic, implying that all of these societies are "on the road" to capitalism. Stark has argued that the concept of

transformation is preferable because it highlights the differences between the eastern european countries and does not prejudge the kinds of systems which will be established.<sup>2</sup> In the field of labour relations we would argue that the notion of transition is valid in the sense of transition from a particular model of "Soviet" labour relations, however, the question of transition to is an open one. Transformation is used to stress the dynamic processes unfolding in each country, however, the term needs to be operationalised as a concept to make it theoretically useful. We take transformation to refer to issues of continuity and discontinuity within each of the countries and of similarity and uniqueness between countries.

### **The Context of Change**

The general elements of the previous model of labour relations are well known. They conformed to the economic model of central planning, party political control and state ownership. In this approach trade unions operated within the parameters of planning and party control, grade rates were fixed nationally by "tariff scales"; although there were collective agreements there was no recognition of collective bargaining or of strikes. Trade union structure conformed to that of the branch (industry) ministries and operated on the principles of "democratic centralism". The institutions for employee participation in management and in some countries 'self management' were, however, highly developed whether through the structures of enterprise councils at the level of the enterprise or at lower organisational levels such as the brigade as in Bulgaria and Czechoslovakia. There were significant variations in the nature of enterprise level employee participation between countries and these differences may be reflected in contemporary developments. Stark makes a parallel point with regard to the processes of privatisation; he argues that the key factors which limit or condition the direction of transformation are the patterns of political mobilisation prior to regime collapse and the paths of extrication from the stranglehold of the party.<sup>3</sup>

Consideration of the emerging models of labour relations in Eastern Europe has to recognise that these have been contingent upon three conditions. First that political, academic and popular attention on the process of transition has centred on issues of democracy and marketisation; that is on the parallel processes of change in the political institutions and of changes in the management of the economy, they have only focused indirectly on labour relations systems.



Second, that the economic and social context has been one of inflation, rising unemployment and reductions in the standard of living for many sections of national populations. For the post-socialist governments the central political issue has been, therefore, a process of seeking to create structures and mechanisms for the creation of market economies while at the same time maintaining a minimum level of social and political integration. Specifically this has meant Governments choosing the pace and sequence of macro economic measures - the shock treatment of rapid change (the liberal market) or, a more gradual process (the social market). In such economic conditions trade unions often function as agencies of social integration through their negotiations with governments.

At the same time attempts to establish political pluralism have meant the replacement of the old Party organisations by a plethora of political parties which are little more than 'elite vehicles',<sup>4</sup> in that popular membership is low by comparison with that of the communist parties which they have replaced. Consequently trade unions as organisations with mass memberships are in a position to perform a representational function for their rank-and-file members that is only partially undertaken by political parties. Third, privatisation has taken various forms including intermediate forms of state ownership and has progressed at different rates in different countries. However, in each case the state remains, directly or indirectly, the main employer as well as the major agency for mechanisms of macro-economic policy. The privatisation process itself requires state-driven social engineering on an unprecedented scale, which an ideology of marketisation tends to obscure. As Offe has commented this involves a process of "political capitalism" or "capitalism by design".<sup>5</sup> Consequently, emerging models of labour relations are highly contingent upon patterns of political mobilisation and upon the degree of political consensus. The institutionalisation of new models of labour relations in these unstable conditions is, therefore, uncertain and in some countries complicated by government's attempts to establish a new normative framework in advance of economic reform and privatisation. To investigate the transformation of labour relations we need to consider both changes at the national level, that is the developing legislation and national framework and its impact on the enterprise level and, the relative autonomy of enterprises in responding to and initiating changes. We begin by looking at the development of enterprise strategy as one foundation for changes in labour relations.

## **Enterprise Strategies in the Context of Marketisation.**

In order to review the developing role of management within the post-communist enterprise it is necessary to set the issues in the context of the operation of the earlier socialist enterprise and its internal and external relations. Under the system of central planning the relations of enterprises with both customers and suppliers were mainly determined by ministry officials. These were 'allocated' from above through the mechanism of 'state orders'. There was substantial central control over prices of products and raw materials and over wages. The 'tariff' wage system prescribed the rates for the different grades while the Wage Funds were closely controlled. 'In a socialist economy the analysis of wages has to start from central wage policy because the latter is actually enforced' (Kornai). There was significant central influence over the design of the internal structures of the enterprise; as for example in the brigade system of work which was widespread in the Soviet Union, Bulgaria and Czechoslovakia. Significantly, it was wage reform in Hungary associated with the VGMKs and the Law on Cooperatives in the Soviet Union which provided unusual opportunities to alter internal organisational structures and labour relations. In this environment the most important activity of enterprise Directors was bargaining over plan targets and for resources with higher levels within the industry.<sup>6</sup> In general the importance of the enterprise was defined according to the number of employees and the reduction of the labour force to increase efficiency was neither politically acceptable nor encouraged by the mechanisms of central planning.<sup>7</sup>

The constraints on enterprise autonomy in the planned economy meant that the scope for enterprise strategy was very limited, that is, in the choice of markets, the design of enterprise structures and in labour relations. The market economy in theory enlarges the scope for enterprise strategy. The concept of 'marketisation' in the context of Eastern Europe and Russia is a complex one. In part, it involves processes of deregulation such as price liberalisation as a mechanism of macro-economic stabilisation. This, however, has been in part a mechanism for relating prices more closely to costs than to promoting competition between suppliers. Similarly, the freeing of central control over wages has been offset, for example by the Polish popiwek or tax on wage increases in the state owned sector though not in the sector under private ownership. In the centralised economy the most important source of revenue was the turnover tax on enterprises and enterprise taxation can still be important as, for example, in Bulgaria. Subject to such qualifications the process of marketisation is sometimes seen as involving five



main stages:

1. The exposure of state owned companies to market forces by the reduction (though not necessarily the abolition) of state subsidies and state orders and with it, a reduction in the allocative function of ministries.
2. Deregulation of prices and wages giving enterprises more autonomy in these areas.
3. Competition in product markets and suppliers.
4. Organisational restructuring typically involving degrees of decentralisation and divisionalisation.
5. Changes in ownership.

It is vital to point out that these processes were underway in some countries in advance of communist regime collapse and that this sequence has been and is being followed in different orders and at varying speeds across the five countries. It is important to stress the element of continuity in some of these processes, to counteract the largely ideological assumption that for the development of eastern european enterprises there are absolutely distinct "before" and "after" phases of regime collapse.

In the above discussion of marketisation, ownership change has not been accorded the primary place that it has received in both eastern and some western approaches to economic reform. In east european theory state ownership has traditionally been regarded as a fundamental basis of both the economy and of labour relations. From this it has been deduced that the prerequisite for changing the behaviour of enterprises and the managers and employees who work in them has been ownership change. The assumption has been that changing the economy has to be based on a change in property relations. Our approach hypothesises that the relationship between ownership change, enterprise behaviour and labour relations is in reality much more complex, because ownership change is only one and not always the most important aspect of the process of marketisation. Ownership change itself cannot be treated as an undifferentiated category.

In considering the relationship between privatisation and labour relations it is first necessary to draw a sharp distinction between the privatisation of large industrial enterprises and that of small enterprises whether engaged in production, retail or other services. As for example Kosek and Cziria show in these organisations there has been a sharp fall in union membership and relationships between management and workforce are individualised.<sup>8</sup> In terms of ownership

change in the larger state organisations there are three direct questions which relate to labour relations: first, whether employees (or their representatives) are formally given a role in the process of ownership change; second, whether employees (or their representatives) are accorded any proprietorial status following the change of ownership; and third, whether in such cases it has any significance in practice.

In relation to the first question the national models fall into two groups. In Russia and Poland endorsement from employees or their representatives is required for changes of ownership; in Hungary, the Czech and Slovak Republics and Bulgaria it is not. The consent of the Russian labour collective is required while in Poland the agent is the Employee Council. At present the predominant form of ownership change is to that of the joint stock company based on shareownership. In this form, in practice, there are a variety of options in the ownership of shares, which include both individual and institutional mechanisms in varying combinations. The individual shareholders may be employees, managers and citizens; the institutional include state agencies, other enterprises, banks and financial institutions. From the standpoint of labour relations the basic division is between the models which include employee shareownership as a matter of right and those which do not. Again Russia and Poland are in this group but the Polish model includes provision (unique in eastern Europe) for union representation on supervisory boards, (however, accompanied by the termination of the employee council with the act of ownership change). At present in Hungary and the Czech and Slovak Republics there is no provision for employee shareholding as such although, in Czech and Slovak Republics employees may hold some shares acquired as citizens. In relation to the general issue of enterprise autonomy a big question is the nature of institutional shareownership and control. With the exception of the Czech republic there are as yet no concentrations of external financial institutions of the western type and the predominant form remains that of the state agency, as in Hungary, or the banks.

Thus, the processes of marketisation are complex and a rapid and smooth transition to what is normally meant by privatisation in the west is far from being achieved. The implications of marketisation for management within the enterprise are in the first instance relatively clear; senior management has to refocus its activities towards the market and the development of new market strategies. This requires both an external focus but also the need to develop internal strategies for organisation and labour control. The role of middle management needs to change



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considerably. In the past middle management played a largely operational role dependent upon core workers to achieve production targets, this resulted in a tendency to hoard labour, tolerate low productivity, high absenteeism and poor quality, in which, as Thompson and Smith comment, a:

...dual control system of managers and party mobilise to meet production targets through a variety of mechanisms including an employment relationship based on a 'social contract' with the workforce; a technical division of labour frequently depended on high degrees of flexibility and work group autonomy; piece work and normative reward systems. <sup>9</sup>

The middle management group is in a particularly ambivalent position viz-a-viz ownership changes and the uncertainty they bring. However, this group is also crucial for the enterprise's success in terms of their ability to mobilise the workforce and translate corporate strategies into effective operational management. The key processes of organisational restructuring suggest a transformation of middle management roles in the process of divisionalisation. It implies the need both for new skills and new accountabilities.

Exposure to marketisation, which in the first instance typically means the reduction of state orders, is frequently connected with internal restructuring of the enterprise, usually initiated by enterprise management but sometimes in collaboration with state agencies. Such restructuring, whether directly or indirectly linked to changes in ownership, is usually geared to linking different units of the enterprise with specific products. This process - often of divisionalisation and decentralisation - gives the opportunity to engage, usually for the first time, in the process of business strategy. That is, of deciding markets and products, and of formulating organisational strategy by developing appropriate organisational structures and mechanisms of change. Senior managers are therefore engaged in the sequence of strategy and structural change in the sense of divisionalisation to secure more effective relations with product markets (Chandler). Internal restructuring and divisionalisation has implications for labour relations especially through the segmentation of internal labour markets.

Relationships between ownership change, as a stage in marketisation, and organisational restructuring and changes in labour relations is often complex for the following reasons. Processes of ownership change vary significantly both between countries and within countries

and therefore we might expect considerable diversity in outcomes. In addition, in Eastern Europe, though much less so in Russia, new frameworks, institutions and mechanisms have been established at national level for the regulation of industrial relations. These include new and reconstructed trade union confederations, the legal recognition of strikes and collective bargaining and the development of national and occasionally local tripartite institutions. General Agreements negotiated at national level in Hungary, Bulgaria and the Czech and Slovak Republics have been significant sources of standards influencing the conduct of labour relations and therefore of managerial strategy at enterprise level.

In practice the pace of privatisation has varied considerably from country to country and has generally been slower than was anticipated, the State remains a very significant employer. In addition, the State is likely to continue to be a major player in economic reform in the foreseeable future. However, as our evidence indicates, even in the absence of ownership change most enterprises have begun to restructure either in the face of changing markets for their products and/or in preparation for privatisation.

Offe has identified a "dilemma of simultaneity" in the political sphere where new nations, new constitutions and new party politics have to be created simultaneously, in the labour relations sphere we can identify the similar problem of trying to reconstruct labour codes and normative frameworks suitable for a market economy and pluralist democracy whilst simultaneously trying to establish such an economy and democracy. This may result in, what elsewhere has been characterised as, pre-emptive normative regulation.<sup>10</sup> We might therefore expect a continuing tension between the national and enterprise levels of labour relations. To some extent trade unions are a vehicle for this potential dissonance and it is to them we turn next.

### **The Role of Trade Unionism**

Generally, with the exception of Russia, the first changes in existing models of labour relations occurred with the emergence of specific alternatives to the already established trade union organisations. This was the case with Solidarity in Poland in 1982 and the emergence of new trade unions in Hungary affiliated to the Democratic League in the autumn of 1988, facilitated by the law on associations and political pluralism. This was equally so in Bulgaria with the



emergence of Podkrepa in November 1989. Laws on strikes and disputes were also an early feature of changes in the model of labour relations, as in Poland in 1982, Hungary in March 1989, Bulgaria in March 1990 and Czechoslovakia in early 1991.

The principal features of trade unionism in relation to the transitional models of labour relations may be described as follows. First, their significance as agents in strategy formulation at both the national and enterprise levels. This relates to shifts in the relationships and the balance of forces between political and industrial interests. Second, their key role in interest representation, especially at the national political level, in a period when many new political parties are **emerging and multiplying**. Trade unions are organisations with mass memberships and claim to represent the interests not only of employees but also of other large sections of the population such as pensioners and the increasing numbers of the unemployed. Przeworski argues that the role of trade unions in the process of economic reform is crucial because on the one hand they incorporate workers who are a potential source of wage pressure and hence of inflation and on the other, through their centralised organisational features they can persuade their members to wait for the reforms to bear fruit.<sup>11</sup> For these reasons he argues that it is functionally necessary for labour unions to be centralised and all encompassing. Third, there are changes in the internal organisation and functions of trade unions brought about by their formal separation from both party and state institutions.

Solidarity in Poland, as the prototype of the independent alternative to the established unionism was, in a sense, a social movement in that its goals were as much political as they were industrial. Since 1989 Solidarity has had to confront the dilemma of choosing between the specialised role of defending employee's interests in questions of wages, working conditions and employment and the more general role of 'umbrella' for various post-Solidarity governments; that is, of taking joint responsibility for ruling the country.<sup>12</sup>

In a similar fashion to Solidarity, the trade union alternatives established in Hungary and Bulgaria were also social movements in that they functioned at the national and industrial levels because of their opposition to the Party and its affiliated unions. However, it is important to recognise that in both Bulgaria and Hungary initial support for these newly created unions was mainly concentrated in the non-manufacturing sectors of the economy. Hence they obtained their support among teachers, scientific workers and employees in areas of the health service.

Underlying such patterns of support were the pre-revolutionary state socialist wage policies which gave priority to heavy manual work in productive industry rather than to the professional, non-productive activities undertaken by employees in the service sectors.<sup>13</sup>

In Russia no significant independent trade union movement has emerged, as in the cases referred to above some professional groups, such as airline pilots have recognised their bargaining position and have developed trade union like organisations.<sup>14</sup> In general, however, the Russian trade unions have not emerged as an important political force in the process of economic change either nationally or at enterprise level; they are still tainted as institutions associated with the past regime. Russian workers do not appear to conceive of independent trade unionism as a vehicle for mobilisation. As Clarke comments:

The trade union within the enterprise was and is effectively a patronage network, integrated into and working alongside the management structure.<sup>15</sup>

However, for this reason membership levels do not appear to have declined dramatically. The advent of Solidarity in Poland and of political pluralism in Bulgaria and Hungary, and the challenges from the alternative unions have brought about changes in the organisation, design and operation of the existing established union centres. This has led to three basic changes: their independence from the party; the end of democratic centralism as an organising principle; and the creation of confederal structures. This has taken place in Bulgaria, Hungary and in Czechoslovakia, (where there was no important challenge from newly formed alternative unions). In both Bulgaria and Hungary the reformed centres have retained the largest membership.<sup>16</sup>

The duality between the political and the industrial functions of trade unionism relates to their operation at different levels of the economy, the national political level where basic decisions about macro-economic policy are made, and at the enterprise level where their members are employed. At the national level the political function has been mainly expressed through tripartite forums. However, in specific political conditions such as in Bulgaria in 1991 -2, the national trade union confederations have operated as agencies of strategy formulation on major issues of economic policy including the pace and content of measures for economic reform.



This national political role of trade unions has sometimes predominated over industry level concerns and this may help to explain the reduction of membership interest at the enterprise level. Linked to this there has often been an intermediating or controlling role such as that of Solidarity, for example in the Silesian mining dispute of 1992-3. Similarly in Bulgaria, the Confederation of Independent Trade Unions in Bulgaria (CITUB) has frequently been an agent of intermediation in important disputes that have arisen in particular industries or enterprises. Such a role inevitably creates contradictions and tensions in relation to rank-and-file members, since trade unions appear to function both as agents of government and as representatives of worker interests. This poses the question for the trade unions of whether keeping governments in office is more important than representing rank-and-file demands and whether there could be a 'backlash' from members if redundancies increase and living standards fall. The experience from the CITUB in Bulgaria suggests that although workers in specific sectors or enterprises may be dissatisfied with their conditions, the leading role of the trade union confederation as the chief agency for representing member interests has, so far, maintained a large measure of support. This is mainly because key decisions on minimum wages and the setting of budgets for social security - unemployment benefits and prices for key items such as food - are taken through negotiations and agreements at the national level.

Trade union density in socialist countries was extremely high; typically over 90 per cent. This was mainly because the availability of enterprise social funds for housing, holidays, kindergartens, transport and other social welfare benefits were distributed through the trade unions. Increases in unemployment, privatisation programmes, especially of small service organisations, and the disappearance, except so far in the Czech and Slovak Republics, of Social Funds is likely to lead to a reduction in union membership. In Poland, membership of both Solidarity and OPZZ appears to be in significant decline. However, figures for the Czech and Slovak Republics <sup>17</sup>suggest that this may not be inevitable, in addition, despite the declines in Bulgaria and Hungary membership of the confederations remains substantial.

It is clear from this discussion that there is a major difference between Russia and the East European countries with regard to the evolution of the trade union movement. This is also reflected in the development of tripartite forums to which we turn next.

## Tripartism

National tripartite forums have been established in all of the countries. A number of questions arise in relation to the development of these processes. First, the timing and the context in which the relevant institutions were established. Second, the scope of issues covered by tripartite processes. Third, their legal standing and their degree of institutionalisation.

The prototype of a national tripartite council was created in Hungary in October 1988 while the Socialist Workers Party was still in Government. A key agent in this process was the Research Institute of Labour attached to the Ministry of Labour which contributed to the design of appropriate structures. The contexts for the establishment of tripartism were the processes of economic reform emerging at this time associated with increasing enterprise autonomy and some decentralisation of control over wages, which required the replacement of bureaucratic methods of wage determination by processes more appropriate to a market economy.<sup>18</sup>

In Bulgaria, on the other hand, the National Commission created in February 1990 was the outcome of the political and economic crisis and industrial unrest that followed the political changes of November 1989. In January 1990 the reformed official trade unions (CITUB) demanded that the government should negotiate a General Agreement with them as a mechanism for securing political, economic and social consensus. Following the change of government in January 1990 a National Commission for the Reconciliation of Interests was established in order to negotiate this agreement. Thus, the CITUB was a leading agency in the creation of this structure and it also played a role in the formation of an organisation of state employers as the third party of tripartism.

The establishment of the Council for Czechoslovakia in the autumn of 1990 at the federal level was requested by the trade union confederation with the ready acquiescence of the government. The Council negotiated the first general agreement for the year 1991. In Poland, however, the creation of tripartite institutions was avoided until September 1992 although discussions of the relevance of a 'corporatist' model had been common for several years. Hitherto, there had been informal and separate bipartite discussions between successive governments and the two confederations, Solidarity and OPZZ. Kuron, as Minister of Labour, was a leading agent in the process of trying to negotiate the State Enterprise Pact. This development took place against



increasing strike pressure, which was only halted pending the outcome of the Pact, and evidence of widespread popular alienation from the political process.<sup>19</sup>

In Russia a Federal and some branch Tripartite Commissions were established at the end of 1991 and the beginning of 1992. The General Tripartite agreement for 1993 is of a very general and all encompassing nature, being more of a wish list than a binding undertaking.<sup>20</sup>

Whether the range of issues covered by tripartite discussions is broad or narrow largely reflects the balance of power between governments and trade unions and the broader social context at specific periods of time. The most common subject, with the exception of Russia, has been agreements on minimum and maximum wage increases, pensions, and the basis of wage indexation in relation to prices. This has been the case in Hungary since 1989, Bulgaria from 1990, and Czechoslovakia after 1991. This will also be a function of the Polish National Commission. The range of issues covered by tripartism has also broadened in these countries. In Hungary in 1991 and 1992 the NCRI played a significant role in securing agreement on the social security provisions for the budget and in reform of the principles of enterprise taxation. In Slovakia, towards the end of 1992, the main focus of discussions was the allocation of social expenditure from within the state budget, for example unemployment benefits, food and transport subsidies and the rules for the Enterprise Social Fund, rather than upon the content of a General Agreement for 1993.

Issues of privatisation are of course, central to economic reforms. The great innovation of the Kuron Pact in Poland is the agreement for the involvement of trade unions in the process of privatisation and the distribution of shares to workers. In Hungary and Czechoslovakia privatisation has been a governmental process operating outside both tripartite forums and negotiations with trade unions. In Bulgaria during the period of the coalition government (December 1990- October 1991), privatisation was officially within the scope of the National Council although it was not acted upon.

The institutional status of tripartite forums has varied. In Hungary the National Council was given formal legal status by the Employment Act of 1991 and the Labour Code of 1992, it also has its own secretariat. In Bulgaria, the election of the coalition government in December 1990 to introduce price liberalisation meant that the government was dependent on trade union

support to maintain social peace. In these conditions the tripartite council operated as a standing body in which there was both consultation, typical of the period of the socialist government, and joint decision-making, with agreements binding on state organisations at lower levels.

Of course, tripartism, by definition, requires organisations to represent the interests of employers in discussions. Except in Poland, where the Confederation of Polish Employers was established at the end of 1989, the development or creation of employers' organisations has been closely related to the creation of tripartite institutions. Thus, in Hungary in 1988 the already existing Chamber of the Economy became a partner in the National Council. In Bulgaria, the initiative for facilitating the organisation of state employers in March 1990 came from the CITUB. Clearly, changes in the structure of property ownership brought about through privatisation are leading to a plurality of employers organisations in different economic sectors. The ease with which genuinely private employers can be incorporated into corporatist agreements is at this stage largely untested.

Tripartite agreements are typically providing a framework for enterprise level labour relations. In Russia branch agreements in some industries may provide a more significant role than the national agreement. The weakness of independent trade union development in Russia, however, puts a question mark over the significance of tripartism.

### **Collective Bargaining**

In all five countries collective bargaining is a new feature of the transitional model and generally it is supported within a legal framework. The issues that arise relate to its coverage, to shifts in content from social welfare to wages and to the legal framework as privatisation proceeds. Contemporary discussions of collective bargaining by East Europeans tend to focus upon the negotiation of substantive collective agreements on terms and conditions at enterprise level. In the past collective agreements at this level did not deal with terms and conditions of employment. There are many other issues such as the numbers and selection of employees for redundancy which may be the subject of collective bargaining by the trade unions or of informal bargaining between individuals or work groups and line management. (The latter was the more predominant in the previous system).<sup>21</sup> There is legal provision for collective agreements at



enterprise level in all five countries although the significance of this varies in accordance with national conditions. Understanding of the actual processes of negotiation at enterprise or higher levels is constrained by a lack of survey data.

The Czechoslovak Federal Research Institute of Labour and Social Affairs conducted a survey of collective bargaining and participation in 90 enterprises in mid 1991.<sup>22</sup> The survey showed that in 90% of the enterprises collective agreements had been negotiated and that of these, 86% were the result of trade union initiatives. In 1992 branch agreements were still used as a source of standards in the enterprises studied. In Bulgaria, the development of collective bargaining has been closely connected with initiatives from the National Tripartite Commission which issued Guidelines on Collective Bargaining in April 1990 and again in April 1991. In 1990 the coverage of workers by collective agreements was patchy and varied significantly between branches of industry. Survey data on collective agreements was compiled in November 1991 by the Confederation of Independent Trade Unions. The 1991 survey showed that by July 1991 only 37 % of state enterprises had negotiated collective agreements. The main stimulus to collective agreements came from the Decree on Wages and Collective Bargaining of 5 July 1991. This decree, which was passed in the context of the national tripartite Agreement on Social Peace negotiated in June 1991, required collective agreements to be negotiated at enterprise level by September. This made enterprises the only level for collective agreements and thus removed the role of branches except for the social sectors of health and education. The decree was accompanied by abolition of the centralised control over enterprise wage funds based on the centrally determined wage rates for different grades of employee and the plan target for manpower. The national survey of 120 enterprises in November showed that 79% of enterprises had signed agreements and a further 14% had completed the preparatory work.<sup>23</sup>

In Poland some branch agreements from the 1980's are still operative although their significance is doubtful. The development of wage bargaining in state enterprises has been tightly constrained by the high levels of taxation that have been levied on enterprises which allow wage increases. The creation of national machinery for wage negotiations in the state sector has been a major issue in the negotiations over the Kuron Pact. Private employers have been exempt from this taxation but since they are mainly non-unionised there is no collective bargaining.<sup>24</sup>

It appears that the current developments in collective bargaining in all of the countries are primarily conditional upon the national mechanisms of economic management as applied to enterprises, for example the tax mechanism in Poland and the 1991 Decree in Bulgaria. It is also clear that many new small privatised companies are outside the emerging model of collective bargaining.

### **Participation and Consultation**

The socialist enterprise has been conceptualised as having three internal vertical structures.<sup>25</sup> The first was the structure of operational management; the second was the structure of the party and the trade union; and the third the structure of participation in management and /or 'self management'. The most usual institutions of the latter were a general assembly of employees (or of their representatives) and an elected council at the top of the enterprise. In the 1980s the general trend was to increase the scope and powers of this third structure and the empowerment of employees who were theoretically conceptualised as 'co-owners'. After the collapse of the old regimes there were two main questions to be considered at the political level. First, whether such institutions of the third structure needed to be preserved, destroyed or replaced. Second, what should be the relationship between institutions of participation and those of collective bargaining. The comparison between the five countries of what has happened since the end of state socialism shows different patterns of development.

The Polish Enterprise Council of 1981 has formally survived until the new provisions for the privatisation of state enterprises. An initial stage was to transform the legal status of the enterprise into a 'state treasury company' and for this the consent of the enterprise council was required. Once the transfer is completed however, the enterprise council is dissolved so that the legal and institutional basis of participation disappears.

In Russia the Council of the Labour Collective have also survived and are required to agree plans for ownership change, however in some enterprises the change to a joint stock company has been accompanied by the dissolution of the Labour Collective. It has sometimes been replaced by other Enterprise Councils but the power of such bodies appears to be negligible.



In Czechoslovakia the State Enterprise Act of 1988, which included provisions for an enterprise council elected from the general assembly, which also elected the director as a principal structure for participation, was repealed in May 1990. Its participative provisions were officially condemned as a 'relic of socialism'. Cziria and Munkova's survey showed that the provision of information and the process of consultation continued to occur in the majority of enterprises but through trade union channels. The Labour Code does not however prohibit the establishment of Works Councils and it is of interest to note that in two case study enterprises managements set up Works Councils. In the first, the West German owners wished to set up the council as the sole structure for representation but the trade unions demanded recognition for collective bargaining; in the second Slovak enterprise it was the management strategy to set up a Works Council in parallel with the machinery for collective bargaining.

In Bulgaria the powers of the enterprise council were modified by Decree 56 of 1988. The Labour Code was revised eventually at the end of 1992 after continuing negotiations between successive governments and the trade union confederations since 1990. This provided (in articles 6 and 7) for the general assembly of the workers and employees to elect representatives to decide questions of enterprise management but did not specify any structure or mechanisms for this. In Hungary Chapter 4 of the Labour Code of 1992 covering Employees Participative Rights replaced the previous Enterprise Councils with Works Councils. It sets out in detail the provisions for Works Councils which are required in every firm or establishment with more than 50 employees though the rights are mainly consultative. In both Bulgaria and Hungary the issue of the relationship between the institutions of participation and those of collective bargaining became disputed between the government and the trade union confederations. In the former, towards the end of 1991 the newly elected government of the Union of Democratic Forces proposed that the revised Labour Code should provide for a Works Council which would be the bargaining agent for the collective agreement rather than the trade union. In the initial drafts of the Hungarian Labour Code the government similarly sought to make the Works Council the bargaining agent but in Hungary, as in Bulgaria, the trade unions were successful in resisting the government's proposals.

Thus the previous rights of employees to participate in management have been significantly eroded in the transitional models. In socialist theory employees were co-owners of the state property of their enterprises. Now, however, in all countries there are varying forms of

provision for employee share ownership so that they have possibilities for some financial participation as shareholders in their privatised enterprises. Research in Polish enterprises suggests that workers are willing to accept routes to privatisation which destroy workplace mechanisms of participation because privatisation is presented as the economic salvation of enterprises and therefore of employment and accordingly strategies of survival predominate at company level. Solidarity as a national organisation is committed to the consolidation of single channel representation in which the trade union is the sole bargaining agent at enterprise level. Trade unions have been prepared to concede the dilution of mechanisms of employee participation in management because they have been concerned to secure and consolidate their position as the sole bargaining agent in collective bargaining.

From the above discussion it is clear that the Hungarian case is exceptional in that Works Councils are legally constituted. However, the elections to Works Councils in May 1993 demonstrated that in many enterprises the trade unions were successful in securing the election of their own candidates on these bodies.

In general, we can say that changes in Labour Codes which provide the framework for a reform of collective bargaining have acted as "anticipatory frameworks"<sup>26</sup>, in the sense of the attempt to create a new system from above, and the desire to devise a system appropriate for a market economy in large part before that economy exists. In the capitalist countries of the west labour law has more typically developed organically or pragmatically in response to emerging labour relations configurations; pre-emptive labour legislation in eastern europe may serve to structure and limit the possibilities of development at enterprise level.

## Conclusions

In conclusion we will try to draw together the pattern of developments in the different areas we have considered: enterprise strategy and marketisation; trade unions, tripartism, collective bargaining and participation. A general point that must be made is that emerging institutions are fragile, precarious and unstable. The absence, presence or threat of pressure from below has been a major condition for institutional development and change. The different routes from communist party domination, involving either capitulation, compromise or electoral competition,



persist in affecting the emerging labour relations models in the countries studied; this is notwithstanding the common pattern of ideological influences from abroad and the encouragement of western models of social partnership and the social market model of corporatism. Not surprisingly, governments' have viewed the development of new labour relations institutions as secondary to economic reform and privatisation.

The role of trade unions in the immediate aftermath of the collapse of communist regimes' seems to vary from country to country. Arguably they have been a driving force of social and political change in Poland and Bulgaria. In the Czech and Slovak Republics reform by contrast has been more consensual, whereas in Hungary governments have taken a more positive lead role. In Russia the historical image of the trade unions has not led workers to see independent trade unions as potential forces for representing their interests. Despite these differences however, trade unions in all of the countries have been oriented towards the state as the agent of reform. Trade unions are compelled to act on the national political stage since their demands cannot be pursued at the enterprise level. Hungary is perhaps the most advanced along the road of a more enterprise based focus for trade union and labour relation activities. In the past, trade union control of the social funds of enterprises provided the pay-off for individual membership. Now that social security and benefits are no longer primarily provided by enterprises, these issues have shifted to the national political stage. Trade unions in these countries claim to represent not only the employed, but also the unemployed and pensioners, in national negotiations over social fund and social security issues. This may help to explain the tendency for trade union membership levels to decline, since the pay-off for individual membership has changed. If the focus is national agreements the individual at enterprise level can free ride on tripartite agreements without needing to belong to a trade union. However, in Russia the persistence of a trade union role in enterprise based patronage systems may have served to maintain membership levels, if not active participation by members. In the other countries the salience of national economic issues and tripartite negotiations have limited the development of trade union functions at branch and enterprise levels. If corporatist arrangements fail and are discredited, the legitimacy of trade unions can be compromised. Thus, trade unions can run the risk of becoming once again "transmission belts", but this time for governments' austerity measures.

In all of the countries, tripartism or corporatism has arisen as a government response to the real or perceived threat of political and industrial instability. Trade unions are a major basis for consensus building and legitimation in a context where political parties are weak and fragmented. Governments have faced choices between the alternative strategies of confirming and strengthening tripartite institutions or of seeking to avoid them.<sup>27</sup> The evidence shows that so far in Hungary and the Czech and Slovak Republics there has been an incremental development of tripartism. The Kuron pact initiative in Poland was motivated by industrial unrest, but prior to that, the fact that Solidarity was already enmeshed with government may have obviated the need for formal corporatist arrangements. In Bulgaria government tried to extricate itself from tripartism in 1992 but was only successful for a time.

The crucial future issue for corporatism in these countries is whether tripartite agreements are substantively underwritten. Can the parties to political exchange deliver their side of the bargains? Experience from western Europe would suggest that corporatism needs delivery mechanisms at lower levels, for example collective bargaining structures or works councils must be capable of relaying interest intermediation to enterprise level.<sup>28</sup> Certainly in Russia the institutions for such intermediation are largely absent. This suggests that the degree to which corporatist arrangements may be articulated from national to enterprise levels is of critical importance. In relation to this process of articulation there are a number of potential problems. Firstly, the weakness of employers' association questions whether trade unions or governments will be able to make agreements enforceable, as increasing proportions of employment is located in both private and small-scale organisations in which union membership is likely to be low or non-existent. Secondly, can trade unions intermediate their members interests successfully without losing rank and file support, especially if economic restructuring programmes prevent governments from delivering social benefits?

As discussed earlier collective bargaining or rather collective agreements have been provided for in the labour legislation of all the countries. These developments represent a top down approach which raises the question of the likelihood of collective agreements being implemented at the level of the enterprise. There are several factors which may influence this. First, the evidence from Bulgaria shows that the major impetus for the development of collective agreements came from the outcome of national tripartite negotiations in 1991 which were drafted in a form which provided for explicit articulation from the national level down to the



level of the enterprise.

Similarly, the development of enterprise collective agreements in Czechoslovakia in 1990 and 1991 was partly dependent on the content of the national General Agreement although this articulation was not backed by legal requirements. Second, at this time the enterprises were still State property so that the State at national level could instruct, if necessary, State managers at enterprise level to implement the agreements. As the process of privatisation proceeds the issue of collective bargaining at lower levels will become an issue of managerial strategy by employers who are no longer State employees.

It is clear from the experience of Poland, the Czech and Slovak republics that in small firms in the retail, trading and other service sectors employers frequently do not recognise trade unions and consequently there is no collective bargaining.<sup>29</sup> The prospects for collective bargaining as larger enterprises are privatised is less clear. Whether these employers will seek to withdraw from collective agreements will depend upon the contingent conditions such as, the strength of union organisation in the enterprise, the influence of the union externally and especially on the nature and coverage of national tripartite agreements. In relation to the latter much will depend on the development or decline of industrial conflict and on the perceptions of the prospect for social peace.

Collective bargaining through trade unions has provided one channel of representation; employee or works councils can provide a second channel. However, as discussed above only Hungary has legal provisions for works councils and has thus, formalised dual channel representation. In Poland the processes of privatisation are leading to the elimination of the old Employee Councils, a process not mourned by Solidarity trade unions who want trade unions to be the sole channel or representative. An interesting test of the importance attached by employees as well as trade unions to such mechanisms took place in Hungary in May 1993, when the provisions of the Labour Code relating to the election of Works Councils members came into effect. In practice, the evidence suggests that unions were generally able to secure the election of union members to the councils and the success of unions affiliated to MZOSC was generally much greater than that of the newer unions. Thus, although there are clear differences between the Labour Codes in the different countries with regard to participation mechanisms, in practice trade unions remain the most significant channel for worker

representation at enterprise level. Nevertheless, the preemptive nature of the new Labour Codes may serve to limit or constrain more organic developments in the future.

At enterprise level there is growing evidence that senior management may seize the opportunity to dismiss or ignore participative mechanisms. In case study companies in Russia and Poland there are examples of the Director operating outside the legislation or on the borders of legality; for example in Poland in advance of ownership change disestablishing the Employee Council and in Russia, taking changes in ownership as a chance to get rid of the Council of the Labour Collective.<sup>30</sup> This reinforces the importance of enterprise level strategy and the developing role of management. The relative autonomy of the enterprise and the scope for the development of enterprise strategies will remain a critical element in the emerging labour relations models.

Clearly, an important factor shaping the character of corporatism and of labour relations models is the changing role of the state which in turn, is shaped by conjunctures of different political forces. In all of the East European countries, political processes remain semi-structured as numerous competing political parties struggle to mobilise popular support. The absence of dominant parties of the kind found in Western countries results in weakened political legitimacy with the effect that the role of the state as an ideological integrative mechanism is underdeveloped. This strengthens the appeal of corporatism as a means of securing political consent. The degree of popular support for this remains uncertain. Even so, State institutions remain highly influential within the countries of Eastern Europe because of their functions in the provision of health, education, welfare as well as other economically productive services. As yet the nature of State institutions and how these are likely to emerge within ongoing programmes of privatisation remains uncertain but undoubtedly this will have outcomes for the character of tripartism and the role of labour relations models. Without the emergence of political mobilisation, competing political parties and the construction of highly legitimised state institutions, social pacts incorporating the interests of both workers and corporate owners are likely to remain unstable.

The fortune of the current wave of tripartism will certainly play a key role and the level and manner of articulation of bargains will help to structure the relationships between the different levels of labour relations: the national, the branch and the enterprise. Perhaps the most interesting question and the most difficult is the extent to which current developments, especially



in the field of privatisation, may be foreclosing upon certain labour relations approaches or options for the future. The explanation of developments will probably come from the comparison of outcomes in one or more countries. This will facilitate the mapping of alternative scenarios, in which the counter-factual - what does not happen- will be as significant and interesting as what does.

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